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INFO RUEHGZ/CHINA POSTS COLLECTIVE 0221
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UNCLAS SECTION 01 OF 02 GUANGZHOU 000482

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E.O. 12958: N/A

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SUBJECT: South China Rail Lines Expanding, But Not Due to Economic Stimulus

Ref: A) GUANGZHOU 112; B) 2008 GUANGZHOU 48

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11. (SBU) Summary and comment: South China rail lines will almost double to 9,400 km by 2020, but the expansion projects were included in central and provincial railway plans initiated in 2004, rather than as part of China's massive economic stimulus. Expanded railway capacity will do little to alleviate pressure on migrant workers during peak periods, including the annual Chinese New Year holiday. The new Guangzhou-Wuhan Dedicated Passenger Line will open at the end of 2009 and reduce the ten hour trip to three hours, but tickets will be too expensive for most migrant workers to afford and may instead compete with domestic airlines as passengers choose high speed rail rather than 1-2 hour flights. It remains to be seen whether demand from wealthy passengers targeted by the new lines will be strong enough to support development of so many new high speed lines in south China. End summary and comment.

Railways Expanding, But Not As Part of Economic Stimulus

12. (SBU) Local implementation of a 2004 State Council plan to expand domestic rail networks will lead south China's operational railways to almost double from the current 4,900 km to 9,400 km by 2020, according to Guangzhou Railway Corporation Foreign Affairs Office (FAO) Director Ren Hong. Guangzhou Railway Corporation is one of mainland China's 18 regional rail authorities and is charged with operating rail lines in Guangdong, Hunan and Hainan Provinces. The state owned enterprise is currently working on 20 major construction projects, including new lines and the renovation of older infrastructure.

13. (SBU) Guangzhou Railway's centerpiece project is the Guangzhou-Wuhan Dedicated Passenger Line, which will be completed by the end of this year and rank as China's longest high speed rail line. Trains will travel the 965 km distance at speeds as high as 350 km/hour, reducing the ten hour trip to three hours for as many as 80 million passengers per year, according to Engineering Section Chief Huang Ronghua. This project and four other new high speed lines that will eventually connect Guangzhou to nearby provincial capitals and port cities were all initiated in conjunction with the 2004 State Council and Provincial Government railway plans, not as part of China's recent economic stimulus package (ref A), Huang said.

14. (SBU) New Guangzhou Station, located in the southern suburb of Panyu, will also open at the end of 2009 and will form the southern terminus for the new Guangzhou-Wuhan high speed line, according to FAO Director Ren. The new station was included in the 2004 railway expansion plan and will eventually become a major transportation hub for south China. Two subway lines were expanded to connect the new station with Guangzhou's existing transportation system, and new high speed passenger rail lines are currently under construction from Guangzhou to Zhuhai, Guangzhou-Guizhou, Guangzhou-Nanning, and Guangzhou-Shenzhen-Hong Kong. Trains on the four new high speed lines will travel 200 km/hour, equal to the highly popular Guangzhou-Shenzhen high speed line.

Expansion Focused on Profitable High Speed Lines

15. (SBU) Engineering Section Chief Huang said the emphasis for Guangzhou Railway's expansion plans, and the company's construction resources, has largely focused on high speed passenger lines. In addition to the high speed rail projects connecting to New Guangzhou Station, the Hainan East Rail Line is currently under construction, as well as the Xiamen-Shenzhen Line that will connect major cities throughout eastern Guangdong Province and southern Fujian Province. Five major new cargo lines are also under construction, largely focused on connecting second- and third-tier cities within Guangdong Province. Huang said slower lines are less profitable than high speed passenger lines, and in many cases have lost money over time.

Chinese New Year Migration -- Any Improvements?

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16. (SBU) Guangzhou Station, the busiest station in south China, serves 140,000 passengers on an average day, with surges as high as 250,000 during peak travel times like Chinese New Year. When compared with station operations during the February 2008 snow storms (ref B), a station tour revealed changes everywhere. Station managers proudly pointed out new security procedures, larger and clearer information displays, expanded ticket windows and off-site ticket distribution centers. FAO Director Ren, who previously served as Guangzhou Station Chief, said the improvements were based on lessons learned when 250,000 migrant workers remained stranded at Guangzhou Station for almost a week instead of returning home for their annual Chinese New Year celebrations in 2008.

17. (SBU) Despite the capacity and other improvements, Ren said the 80 million passengers that can be transported on the new Guangzhou-Wuhan high speed line will not relieve pressure on the traditional long distance passenger rail lines that connect Guangzhou to the rest of China. Tickets on high speed lines will be too expensive for most migrant workers to purchase, meaning that expanded passenger capacity on that and other high speed lines in the Guangzhou Railway region will do more to attract new, higher-revenue passengers than to prevent future bottlenecks during peak travel periods for migrant workers, according to Ren. Instead, domestic airlines are more likely to feel competition from high speed rail lines once travel times are reduced from ten hours to three hours between Guangzhou and Wuhan.

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